

Message Text

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PAGE 01 STATE 073174
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C O N F I D E N T I A L STATE 073174

LIMDIS USMTN

E.O. 11652:

TAGS: ETRD, EC, MTN

SUBJECT: AMBASSADOR STRAUSS LETTER TO VP HAFERKAMP
PASS AMBASSADOR MACDONALD AND WOLF IN GENEVA
1. PLEASE DELIVER A THE EARLIEST OPPORTUNITY THE FOLLOW-
ING PERSONAL NOTE FROM AMBASSADOR STRAUSS TO VICE PRESIDENT
HAFERKAMP.

2. BEGIN TEXT:

MR. WILHELM HAFERKAMP
VICE PRESIDENT FOR EXTERNAL RELATIONS
COMMISSION OF THE EUROPEAN COMMUNITIES
RUE DE LA LOI 200
1049 BRUSSELS, BELGIUM

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DEAR WILLIE:

I APPRECIATE YOUR NOTE OF MARCH 6, THOUGH I WAS SORRY THAT
I DID NOT HAVE THE PLEASURE OF SEEING YOU HERE IN WASHING-
TON FOR OUR RECENT DISCUSSION OF AGRICULTURAL TRADE ISSUES.
WE HAD AN EXCELLENT MEETING, AND WE ESTABLISHED A GOOD
FOUNDATION FOR THE NEGOTIATION OF A MEANINGFUL AGRICULTURAL

PACKAGE.

I AM VERY MUCH IMPRESSED BY FINN GUNDELACH'S FIRM GRASP OF THIS DIFFICULT SUBJECT AND BY HIS FIRST-RATE LEADERSHIP QUALITIES. I AM CONFIDENT WE WILL BE ABLE TO WORK OUT A GOOD AGREEMENT ON AGRICULTURE AND THAT WE WILL THUS BE SUCCESSFUL IN REACHING AGREEMENT ON A MAJOR MTN PACKAGE BY MID-JULY. AS YOU KNOW, I COULD NOT BRING BACK AN MTN PACKAGE THAT DID NOT INCLUDE MAJOR BENEFITS FOR AGRICULTURE, BECAUSE SUCH A PACKAGE WOULD SIMPLY NOT BE APPROVED BY THE U.S. CONGRESS.

YOU INDICATED IN YOUR NOTE THAT YOU WERE CONCERNED ABOUT THE SUBSIDIES/COUNTERVAILING DUTY ISSUE. FRANKLY, SO AM I. SUBSIDIES IS A HOT POLITICAL ISSUE, AND IN MY JUDGMENT IT WILL BE IMPOSSIBLE TO CONVINCE THE CONGRESS TO ACCEPT AN INJURY CRITERION IN OUR COUNTERVAILING DUTY LAW WITHOUT FIRM INTERNATIONAL RULES AND PROCEDURES FOR BOTH DOMESTIC AND EXPORT SUBSIDIES. I AM CONCERNED THAT OUR PEOPLE ARE HAVING DIFFICULTY IN MOVING THIS VITAL PART OF THE NEGOTIATIONS FORWARD. I AM HOPEFUL THAT DURING OUR MEETING ON APRIL 10, WE WILL BE IN A POSITION TO SET OUT AT THE POLITICAL LEVEL THE MAJOR PRINCIPLES OF AN AGREEMENT.

YOU ALSO EXPRESSED CONCERN ABOUT SAFEGUARDS. I AM FRANKLY PUZZLED. WE BOTH UNDERSTAND OUR MUTUAL NEEDS IN THIS AREA
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AND I SEE NO REASON WHY WE SHOULD NOT BE ABLE TO WORK OUT A MUTUALLY SATISFACTORY AGREEMENT. I UNDERSTAND THAT PLANS ARE BEING MADE FOR FURTHER DISCUSSIONS BETWEEN OUR TWO DELEGATIONS TO ACHIEVE FURTHER PROGRESS. I AM CONFIDENT THAT WITH THE LEADERSHIP OF YOUR DELEGATION, IT WILL ALSO BE POSSIBLE TO ACCOMMODATE THE NEEDS OF OUR OTHER MAJOR NEGOTIATING PARTNERS.

YOU ALSO MENTIONED THAT YOU HAD SOME RESERVATIONS ABOUT THE U.S. OFFER. OUR VIEW DIFFERS, BUT THAT SHOULD NOT BE SURPRISING. TO MENTION ONLY A FEW NUMBERS--THE U.S. OFFER CUTS TARIFFS AFFECTING EC EXPORTS BY 52 PERCENT, AND MORE THAN HALF OF U.S. IMPORTS FROM THE EC WOULD BE FREE OF DUTY. BOTH IN FORMULATING OUR EXCEPTIONS AND OUR GREATER-THAN-FORMULA CUTS, WE MADE EXTRAORDINARY EFFORTS TO TAKE INTO ACCOUNT THE INTERESTS OF THE COMMUNITY, AND I BELIEVE THAT FURTHER DETAILED ANALYSIS SHOULD CONVINCE YOU THAT THE QUALITY OF OUR OFFER AS WELL AS THE OVERALL DEPTH OF CUT IS OF CONSIDERABLE VALUE TO THE COMMUNITY. BUT WE SHOULD NOT DEBATE THIS ISSUE; RATHER WE OUGHT TO PROCEED TO AN EXCHANGE OF DETAILED REQUESTS FOR THE IMPROVEMENT OF EACH OF OUR OFFERS. WE HOPE TO GIVE YOU SHORTLY A LIST OF

REQUESTS FOR IMPROVEMENTS IN YOUR OFFER, AND I UNDERSTAND THAT YOU HAVE BEEN WORKING ON A DETAILED REQUEST FOR IMPROVEMENTS IN OUR OFFER.

I COMPLETELY AGREE WITH YOU REGARDING THE INADEQUACY OF THE CANADIAN AND JAPANESE OFFERS. WE BOTH NEED TO PRESS THOSE COUNTRIES TO IMPROVE THEIR OFFERS AND TO BIND THE RATES IN THEIR TARIFF SCHEDULES. THE DISCIPLINES OF THE GATT ARE NOT EFFECTIVE FOR TARIFF ITEMS THAT ARE NOT BOUND.

ONE LAST COMMENT. OUR OFFER WAS INCOMPLETE IN SOME AREAS BECAUSE WE HAVE TAKEN VERY SERIOUSLY OUR COMMITMENT TO YOU OF NEGOTIATING A NEW CUSTOMS VALUATION CODE. THIS COMMIT-
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MENT HAS CREATED THE NEED FOR FURTHER STUDY ON OUR PART. I WANTED YOU TO KNOW THAT WE ARE TAKING THAT ISSUE VERY SERIOUSLY.

WITH WARMEST REGARDS, I AM

SINCERELY YOURS,

ROBERT S. STRAUSS

END TEXT.

3. ABOVE LETTER DATED AND SIGNED MARCH 21, 1978. LETTER SENT AIRMAIL SAME DATE. VANCE

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